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UNCLAS SECTION 01 OF 05 VIENNA 000870

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E.O. 12958: N/A

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SUBJECT: KOSOVO: READOUT OF MARCH 17 TALKS ON
DECENTRALIZATION IN VIENNA

REF: HOVENIER - EUR/SCE E-MAIL OF 3/19/06

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ACCORDINGLY.

1. (U) The following is information gathered by the US
liaison officer to the UN Office of the Special Envoy for
Kosovo negotiations (UNOSEK) in Vienna.

SUMMARY

2. (SBU) The March 17 talks on decentralization were largely
free of polemics and stuck to the agenda of the financing of
municipalities, inter-municipal cooperation, and links with
Belgrade. The Kosovo delegation accepted the principle of
inter-municipal cooperation, but stressed that it saw an
important role for the central government in many aspects of
municipal finance and were opposed to any "third layer of
government." All links between Belgrade and Serb-majority
municipalities must be restricted to previously agreed areas
and should be regulated by a Pristina/Belgrade MOU. The Serb
delegation rejected a central government role in municipal
finances and Pristina oversight in Belgrade's support to
Serb-majority municipalities. Belgrade also insisted on a
detailed structure to manage inter-municipal cooperation that
would be subject to constitutional guarantees. The UN Office
of the Special Envoy for Kosovo (UNOSEK) identified key areas
of common ground, despite the fundamental differences between
the two sides, and will produce a paper of decentralization
principles that will form the basis for the next round of
talks on April 3. End Summary.

AHTISAARI'S PRIOR MEETINGS WITH THE DELEGATIONS

3. (SBU) Prior to the meeting, UN Special Envoy for Kosovo's
final status process Martti Ahtisaari met separately with the
Belgrade and Pristina delegations. Ahtisaari told both
delegations that he would support any arrangements to ensure
the Serb community's survival in Kosovo, including "vertical
linkages" between Belgrade and Serb-majority municipalities.
He stressed to the Serbian delegation, however, that there
could be no separate Serb entity and that any "vertical
links" with Belgrade needed to be issue-oriented,
transparent, and in conformity with Kosovo's legal system and
structure. Serbian presidential adviser Leon Kojen and prime
minister's adviser Slobodan Samardzic supported these
principles. Kojen provided Ahtisaari with preliminary debt
information promised by Serbian Deputy Prime Minister Labus,
and pledged more detailed debt-related information in the
near future.

4. (SBU) The Serbian delegation registered their official
protest that Democratic Party of Kosovo leader Hashim Thaci
was chairing the Kosovar delegation, and, combined with the
election of Agim Ceku as Kosovo Prime Minister, expressed
concern that "former Kosovo Liberation Army members appear to
be amassing all power in Kosovo." Ahtisaari cut off
Kosovo-Serb hardliner Marko Jaksic's noting of the two-year
anniversary of "ethnic cleansing" in Kosovo, stressing that
the decentralization talks were about the future, not the
past. In Ahtisaari's meeting with the Kosovar delegation,
Thaci reassured the UN Special Envoy that "we did not come
here to win, but rather to achieve a joint success."

THACI'S OPENING REMARKS

5. (U) After Ahtisaari's deputy Albert Rohan warned the two
sides to avoid any political statements during the meeting,
Thaci read a prepared general statement pledging the
Kosovars' commitment to work with their Serbian counterparts
to ensure the full protection of human rights for all
minorities in Kosovo. Thaci made clear, however, that
minorities must be protected through integration, and cannot
be protected by the establishment of a separate entity that
established the de jure or de facto division of Kosovo along
ethnic lines. He stated that Kosovo Serbs must be ready to
live in peace in a democratic and independent state of
Kosovo.

16. (U) Thaci said that the Kosovar delegation supported inter-municipal cooperation, but on the condition that it not create an additional layer of government, pertained only to tasks of joint interest, and was regulated by law. Similarly, Pristina supports cross-border cooperation, provided it is in accordance with a Constitutional framework, and based on bilateral agreements between Belgrade and Pristina on such issues as education, healthcare, and culture. Finally, Thaci stated that Belgrade's assistance to municipalities must be compatible with Kosovo's laws and channeled through Pristina. Samardzic followed Thaci by expressing the Serb delegation's wish to focus on the agreed agenda and appealed for no more general statements.

LOCAL FINANCING ARRANGEMENTS

17. (SBU) Isa Mustafa laid out the Kosovo delegation's principles on how to ensure that Kosovo's local authorities can raise their own revenues. Pristina espouses a unified taxation system and allowing two sources of revenues for municipalities) local tax collection and licensing, and block grants from the central government that allows municipalities to determine the allocation of funds, rather than earmarked grants, which is the current practice. Bosko Mijatovic from the Serbian delegation called for giving local governments true autonomy to raise all direct taxes)- on income, property, businesses, etc. -- with no central oversight and minimal grants. Kosovo Minister for Local Self-Government Lutfi Haziri replied that it was unlikely that municipalities would conduct direct taxation in the same manner as the central government and in turn increase their own revenues in the short term and therefore an increased need for grants was likely.

18. (SBU) Mustafa advocated that all public revenues be maintained at the central Treasury, and Kosovar delegate Ylber Hysa said that the central government, as the guarantor of the rights of Kosovo's citizens, needed to have control and oversight of municipal accounts. On the other hand, Mijatovic and Kojen called for a more, decentralized flexible system that would allow municipalities to keep their accounts in commercial banks.

FUNDING FROM BELGRADE

19. (SBU) Similarly, the Kosovo delegation insisted that funds from Belgrade needed to be distributed through the Kosovo Treasury, and pledged that Pristina would not offset grants to a municipality that received financing from Belgrade. Kojen proposed that Belgrade be permitted to provide funding directly and transparently to a municipality for a specified need in a previously agreed area like education. The Serb side acknowledged that this would result in a "dual system." (Note: On the margins of the talks, Samardzic also admitted that their objective was to "legalize the current parallel structures." End note.) Kosovar presidential adviser Skender Hyseni responded that Pristina would not accept "dualism", and his colleague Ardian Gjini made clear that Belgrade should provide funds in the same manner as other donors.

INTERMUNICIPAL RELATIONS

10. (SBU) Samardzic noted that Kosovo's current Constitutional Framework guarantees the right for municipalities to associate and called for this right to be protected with voluntary horizontal linkages between municipalities on competencies that Belgrade believes should belong at the municipal level: education, culture, social welfare, police, judiciary, media, municipal property, urban planning, and certain types of economic activity. Samardzic proposed a Council for Inter-Municipal Cooperation to regulate this comprised of mayors of the participating municipalities and representatives of the Serbian Orthodox Church. Functional inter-municipal committees would fall underneath this council comprised of three persons from each participating municipality. Samardzic concluded his presentation by stating, "I insist that there be Constitutional guarantees" for these structures and for the right of Serb-majority municipalities to have links with Belgrade.

11. (SBU) Ylber Hysa said that Samardzic's proposal "sounds like a canton or entity" and was unacceptable. He insisted that municipalities can cooperate through the Ministry of Local Self-Government. Coordinator of Pristina's Unity Team Blerim Shala interjected that the Kosovo delegation agrees that the right of Serbs to protect their vital interests, including through inter-municipal cooperation, should be guaranteed in the Constitution, but cannot accept a third-level of government or a separate political entity. He stated that inter-municipal cooperation must be done in

specifically-designated areas like education, health, and culture. Daniel Popescu of the Council of Europe noted that the European Charter of Local Self-Government provides the right to two inter-municipal structures: (1) a consortia of municipalities to carry out tasks of common interest; and (2) associations for the protection and promotion of common interests.

12. (SBU) After Rohan cut off Kosovo-Serb hardliner Marko Jaksic when Jaksic noted the two-year anniversary of violence against Kosovo Serbs and the brutal expulsion of 200,000 Serbs from Kosovo, Jaksic noted that he already headed an association of Serb-majority municipalities and this association must be preserved. Jaksic added that no funds from Serb municipalities should be going into the Kosovo Treasury, remarking that Kosovo's central authority is Belgrade, not Pristina. He concluded by stating that if the Kosovar delegation "did not want Belgrade to rule over them, they cannot expect that we will accept them ruling over us." (Note: Samardzic and Kojen were visibly uncomfortable throughout Jaksic's remarks. End note.)

13. (SBU) Kosovo-Serb politician Goran Bogdanovic said that Kosovo Albanians should not see Belgrade's proposed model of inter-municipal cooperation as a thinly-veiled attempt at dividing Kosovo. Samardzic also reassured the Kosovars that Belgrade does not seek a division of Kosovo but only the effectiveness of inter-municipal cooperation on functional issues. Serbian prime ministerial adviser Aleksandar Simic echoed Samardzic's comments, noting that Belgrade did not propose any "territorial corridors" and that it was only concerned that inter-municipal linkages are functional. Simic said that municipal associations should be allowed in all areas of their competencies and should have a legal personality with constitutional guarantees, at the same time noting that the discussion had moved beyond status-neutral issues.

14. (SBU) Shala replied to the Serbian presentations by warning that Belgrade is trying to "legalize the existing parallel structures and establish a superstructure." He reiterated the Kosovar position that inter-municipal cooperation must be permitted only in specified areas that are vital interest to the minority communities. Decisionmaking powers for municipal and intermunicipal bodies should be allowed for operational, not political, decisions, otherwise this could result in a third layer of government.

VERTICAL LINKS TO BELGRADE

15. (SBU) Kojen began the discussion on cross-boundary cooperation by stating that Belgrade wants to provide "issue-oriented", "functionally-justified" financial assistance and human resources to Serb-majority municipalities. Samardzic clarified that Belgrade plans to provide assistance in 4-5 areas, citing education, culture, religious/cultural site protection, and health care, while noting that police and judicial functions would need to be shared by municipal and central authorities. Kojen insisted that this support must be fully transparent but also direct, without passing through any central Pristina institutions, which themselves were not transparent, functional, or trusted by Kosovo Serbs. Haziri responded that the Serbian proposal appeared to be an effort to "try to create conditions for partition."

16. (SBU) Gjini noted that Kosovo authorities also do not trust Belgrade institutions, but the purpose of the negotiations was to establish greater trust. Samardzic countered that the object of these meetings was to ensure that Serbs are "equal in decisionmaking to (Albanians) on issues vital to their interest." Samardzic also took issue with Gjini's perceived effort to speak for the Serb people. Shala responded that Kosovo Albanians recognize that they do not speak for Kosovo Serbs, but Belgrade had prevented the Serb community from speaking for itself by forcing a Serb boycott of Kosovo's institutions.

17. (SBU) Jaksic interjected that Kosovo Serbs had no need to seek permission for links to Serbia or for "cross-boundary cooperation" because Kosovo is a part of Serbia and no boundary separates them. He warned that the two ways to ensure that Serbs left Kosovo were for Serbian authorities to tell them to leave or by the international community severing their links to Belgrade. Hysa suggested that if Belgrade insisted on such a model for cross-boundary cooperation than Kosovo Albanians would insist on similar vertical linkages with their brethren in Serbia's Presevo Valley.

18. (SBU) In response to a question from EU envoy Stefan Lehne, Kojen said Belgrade does not plan to provide police or security forces to Serb-majority municipalities, but teachers, doctors, and other experts. This personnel would be provided upon the request of a functional inter-municipal committee and paid out of the municipalities' budgets. The

Kosovar delegation recognized Belgrade's right to assist Serb-majority municipalities, but said that any cross-boundary cooperation must be in clearly defined and agreed-upon areas regulated by an MOU between Belgrade and Pristina. Jaksic asserted that Belgrade could not conclude an MOU with Pristina on any issue, and cited the situation of the Bosniak community in the Sandjak as a good model for Kosovo.

19. (SBU) In response to Rohan's proposal for Belgrade/Pristina joint commissions in sensitive fields, like education curricula, Gjini responded positively, provided that this was regulated through bilateral agreements between Belgrade and Pristina. Kojen stated that Belgrade is ready to explore joint commissions in functional areas, but ruled out bilateral agreements "if they imply that Belgrade consents to treat Pristina as the capital of a sovereign entity." He made clear that the Serbian delegation sees Kosovo "as part of Serbia and hope it will remain so after status is determined."

POLICE AND JUDICIARY

20. (SBU) Rohan asked the parties to respond to a proposal that one of Kosovo's five district courts be designed as a court of appeal for Serb-majority municipalities and how to ensure minority representation in the courts. Kojen expressed support for Rohan's proposal, conditioned on the composition of this court. He proposed that the municipal assembly select municipal judges and the municipal chief of police, who would then be confirmed by the Justice and Interior Ministries, respectively. Kojen suggested, however, that the municipal assemblies could overrule the ministries on police and judicial personnel selections. He also argued that the Kosovo Supreme Court should have a "strong international presence" for the foreseeable future.

21. (SBU) Gjini said that giving the municipal assemblies the power to overrule Interior Ministry (MoI) decisions on police appointments did not meet European standards. He also expressed reservations about a "Serb Court of Appeals", but acknowledged that courts must reflect the ethnic composition of the communities they serve. Hysa invoked the Ohrid Agreement as the appropriate model, in which the municipal assembly selects a police chief from an MoI-provided list. Shala added that the Kosovar team's "clear stance" was that there can be no system parallel to the central judicial and police authority.

22. (SBU) Kojen cited the U.S. as an example of a country where police leadership is selected at the local level. Simic also argued that the Serbian judicial model is not a new model for Kosovo, noting that the 1974 Yugoslav Constitution provides for the election of judges and prosecutors by municipalities. Gjini said this was misleading, since municipalities had no real autonomy in personnel selection during communist times. Jaksic rejected the Ohrid model for police appointments as unacceptable, and Bogdanovic noted that Kosovo's judges were not trusted by Serbs.

MITROVICA

23. (SBU) After Rohan raised the issue of the Mitrovica University and hospital, and particularly the Mitrovica law faculty's curriculum, Kojen proposed that the law faculty should teach "both Kosovar and Serbian law." He also called for the administration of the university and hospital in Mitrovica to be "as autonomous as possible", governed by inter-municipal healthcare and education boards.

CONCLUDING REMARKS

24. (SBU) Taking the floor for only the second time, Thaci read a prepared statement describing the meeting as an encouraging step forward that afforded each side a better understanding of the other's positions. He made clear that the Kosovar delegation favors inter-municipal cooperation in all areas of local authority and accepts the principle of cross-border cooperation, provided that they confirm with Kosovo's Constitutional Law and regulated by a Law on Local Self-Government, but rejects any third layer of governance or special entities. He reiterated that Kosovo wishes to conclude bilateral agreements with Serbia that regulates cross-border cooperation.

25. (SBU) Samardzic assessed that the two sides were "far apart" but that "any conversation with the other side is good." He reiterated that Belgrade wanted to ensure that Serbs have "self-government" in Kosovo through cooperation between Serb-majority municipalities in six areas) healthcare, education, social welfare, religion, cultural monuments, and culture -- and links to Belgrade. Samardzic

called for the urgent scheduling of follow-up meetings on competencies, financial arrangements, and the creation of new municipalities.

KOSOVAR COMPLAINTS ABOUT THE CHAIRMAN'S CONCLUSIONS

126. (SBU) Rohan submitted his conclusions (reftel) to the two sides, stressing that they represented his personal impressions and have no official status. He said that UNOSEK will produce a paper containing basic principles on decentralization that would form the basis for the next round of talks on April 3. He also indicated that a meeting on municipal delimitation and Mitrovica would be scheduled for mid-April.

127. (SBU) Rohan turned down Thaci's request for a ten-minute break so that the Kosovar delegation could review the Chairman's Conclusions and then register its concerns with some of them, inviting the two sides to share any concerns directly with UNOSEK. Ylber Hysa was visibly angry about the conclusions, but failed to persuade Thaci to lodge an official protest of the conclusions. Hysa stormed off, but not before telling UNOSEK officials that the Kosovo delegation would register its official objections to the Chairman's Conclusions in writing to Ahtisaari. The rest of the delegation greeted the conclusions with more equanimity, agreeing that they were a reasonably fair reflection of the discussions, despite certain concerns that they had.

128. (SBU) The Kosovo delegation's concerns were largely semantic. They said that they agreed only to "additional", not "significant", municipal revenues, and to inter-municipal "mechanisms", not "structures," as the Chairman's Conclusions provided. They also reacted negatively to the term "links" used in the conclusions to describe cooperation with Belgrade. The Kosovars similarly objected to the idea that inter-municipal structures could have "legal personality," though UNOSEK officials pointed out that the European Charter on Local Self-Government provided for this possibility, that the Kosovar delegation had not objected to this proposal in the meeting, and that a legal personality was quite different from a "legal entity." Finally, they insisted that they had not agreed that Belgrade could provide personnel, although they had not objected to Kojen's example of Belgrade providing a Greek/Latin teacher to Serb schools.

McCaw